L&T Finance

Execution over optics, core earnings and tech deliver; BUY

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Change in Estimates ☑   Target ☑   Reco ☐

Rating: BUY

Target Price (12-mth): Rs.375
Current Market Price: Rs.280

Key Data	LTF IN / LTFL.BO
52-week high / low	Rs329 / 131
Sensex / Nifty	81910 / 25158
Market cap	Rs722bn
Shares outstanding	2503m

Shareholding (%)	Dec'25	Sep'25	Jun'25
Promoters	66.0	66.1	66.2
- of which, Pledged			
Free float	34.0	33.9	33.8
- Foreign institutions	6.7	6.4	6.2
- Domestic institution	15.3	14.3	14.1
- Public	12.0	13.2	13.5

Estimates Revision (%)	FY27e	FY28e
NII	1.8	2.4
PPoP	0.8	2.1
PAT	1.5	6.1

Investment Summary

Summary

Led by initiatives and driven by new MD, Sudipto Roy, LTFH is closing the gap with BAF in its technology interface. The management has displayed strong underwriting skills and collection processes, amply visible in how it managed rural finance portfolio. LTFH is now structurally well-placed to deliver both consistent growth and higher RoA, given its deep tech and increasing penetration. At our TP, the stock would trade at 2.5x FY28e P/BV for a ~2.7% RoA in FY28e. Retain high conviction BUY.

Improving credit growth and NIM to drive robust core earnings

A differentiated and tech-led top management team, is driving product penetration across urban and rural markets. The team's focus on (a) leveraging technology for seamless operations; (b) expanding strategic partnerships with fintechs and OEMs; and (c) targeting prime customer segments has enabled robust growth and superior portfolio performance. Addition of gold loans and deepening of tech offers further impetus to loan growth. We raise our growth estimates to 20% AUM growth CAGR (from 17% earlier) over FY26-28e. We also expect NIM + fees in 10-11% range, as product-mix shifts to higher-yielding products.

Technology Leapfrog to Build an Edge over Peers

Under the leadership of Mr. Roy, the company has developed future-ready technology. Through AI/ML-driven initiatives i.e., *Project Cyclops'* (for real-time credit underwriting) and *'Project Nostradamus'* (for predictive risk management), the company is gradually improving its portfolio quality and TAT. Cyclops is in execution mode in each product, whilst Nostradamus is likely to be implemented in FY27. The Second Annual Tech Day held by LTFH, displayed a lot of rich data and future ready technology, providing visibility for higher growth at improved portfolio quality.

Asset Quality sees improving predictability

LTFH has navigated the previous challenging MFI cycle, with far more resilience than peers, on account of its stronger underwriting. Headline asset quality has improved with Stage-2 falling by 80bps compared to 2.7% in Sep'23. With implementation of *'Project Cyclops'*, we are more confident of a favorable credit cost and build a lower credit cost of 2.4% and 2.2% for FY27e and FY28e, respectively.

Investment Summary

Valuation

We raise our estimates by 1.5%/6% and pencil in a healthy 20% AUM CAGR over FY26-28e driving the PPoP growth. With robust growth, tech as a moat and improving credit underwriting, we reiterate a BUY with a TP of Rs375, at which the stock would trade at 2.5x Mar'28e P/BV(earlier 2.2x Sep'27e BV), for ~2.7% RoA .

Key Risks

- More-than-anticipated delinquencies in MFI book.
- General slowdown in economic activity could hamper growth.

Y/E March (Rs m)	FY24	FY25	FY26e	FY27e	FY28e
Net interest income	75,367	86,665	98,633	1,15,302	1,34,671
PPoP	51,660	59,597	68,045	79,982	94,053
Provisions	21,370	24,684	27,592	28,346	31,316
PAT	53,462	26,434	30,218	38,572	46,864
EPS (Rs)	9	11	12	15	19
NIM (%)	9.1	9.5	9.3	9.1	9.0
Cost to Income	40.4	40.1	39.8	39.3	38.8
RoA (%)	2.2	2.4	2.3	2.6	2.7
RoE (%)	10.3	10.8	11.2	12.6	13.5
AUM Growth (%)	5.8	14.3	18.5	19.2	19.9
GNPA (%)	3.2	3.5	3.7	3.2	3.0
CRAR	22.8	22.3	20.5	20.2	19.8
P/E (x)	31.4	27.6	24.1	18.9	15.5
P/BV (x)	3.1	2.8	2.5	2.2	1.9
P/ABV (x)	3.2	2.9	2.6	2.3	1.9

FY25e	Bear Case	Base Case	Bull case
Loan CAGR (%) (FY26-28)	15	20	25
BVPS (FY28), Rs	133	149	170
Target PBV (multiple), x	1.8	2.5	3.0
Catalyst	a. Lower loan growth due to keen competition. b. Higher credit cost led by unsecured lending .		a. Unsecured lending growth scales up faster. b. Yields will move up faster.

Source: Company, Anand Rathi Research

LT Finance: Technology Platforms Overview

01 — LTF's Technology Scale up

02 — Planet App 3.0

03 — Project Cyclops

04 — Project Nostradamus

Technology led scale up with improving credit quality and efficiency

Underwriting and Risk Transformation

Before Tech

- Manual/Rule-based underwriting.
- Low STP.
- Reactive monitoring.

After Tech

- 55 + AI models with Project Cyclops
- <3 seconds decision TAT.
- STP up 36% in farmer finance portfolio.
- 200+ EWS variables with project Nostradamus.

Portfolio Quality and Collections

Before Tech

- Higher early delinquencies.
- Cash and field heavy collections.
- Low mandate penetration.

After Tech

- GNS down 6%, NNS down 1.7% in farmer finance book.
- 0-DPD CE: 99.7% (Home Loans), 98.7% (Two-wheeler).
- E-Nach rose from 60% to 88%.
- ODD collections from 66% to 70%.
- Collection efficiency: ~92-93% in FY26.

Scale and Monetisation

Before Tech

- Growth constrained by ops.
- Limited monetisation levels.

After Tech

- AUM at Rs1,142,850m.
- ~27% AUM CAGR from FY22 to H1FY26.
- Urban finance book forms ~3% of AUM.
- Insurance attach: ~95%.
- Income/case index : 123.

Technology has enabled LnT Finance to scale rapidly while improving early credit quality, collection efficiency, and per – customer monetisation.

Building end –to– end Credit Intelligence: From Identification to Risk Prediction

Completed 3 Phases ← →

4th Phase is Underway

Ability to Identify Customers

- Liveness matching with OCR as KYC.
- Account aggregator (deep integration).
- Digi locker, fuzzy logic and penny credit to reduce TAT and prevent frauds.
- Identification through video KYC for faster TAT and better verification.

Ability to Understand Customers

- Understand propensity for loan take-up.
- Customer lifestyle index; life-stage based need identification and next best offer.
- Customer's income and liquidity profile.

Ability to Underwrite

- Pre-approved model and campaigns for X-Sell.
- Income estimation through product propensity and affinity models.
- Re-imagined AI/ML-based credit engine (Project Cyclops).
- Decisioning through additional trust signals (satellite data and digital footprint etc.).

Ability to Predict Risk

- Segmentation, willingness-to-pay model for collection strategy.
- Bounce model for pre-delinquency management; EWS and emerging delinquency/ stress simulation.
- **Project Nostradamus:** Risk integrated business planning.

PLANET 3.0 : L&T Finance's Unified Digital Experience Platform

A unified, intelligence-driven digital platform that integrates customer journeys, dealer journeys, servicing, collections, and engagement into one seamless ecosystem powered by real-time data, AI models, and a resilient microservices architecture.

Acquisition and On-boarding

Paperless, API-driven onboarding with real-time checks and instant AI-based sanctioning for NTB & ETB journeys.

Payments and Digital Transactions

Integrated payment stack enabling EMIs, part-payments, mandates, and instant reconciliations to improve collections and reduce manual effort.

Conversational AI & Engagement

In-house multilingual, emotion-aware voice and chat agent handling servicing and transactions with high accuracy and real-time decision support.
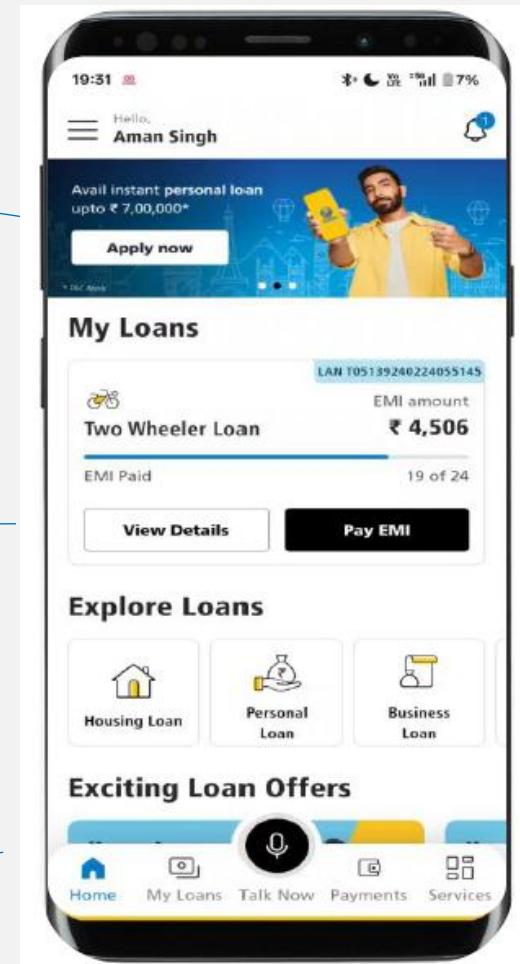
Servicing & Self-Service Excellence

236+ digital servicing options, with 88% of service requests fulfilled via PLANET, IVR, and automated channels.

Collections and Recovery

Cost-efficient digital collections driving 2× YoY growth, leveraging digital nudges, automated workflows and embedded payments.

Dealer Ecosystem

Dealer platform with real-time TAT visibility and 20-min disbursement, delivering faster TAT and a 12% expansion in dealer base.

PLANET 3.0 APP : Translating Digital Experience into Scale, Efficiency & Profitability

How a unified digital platform is driving growth, lowering cost-to-serve, and strengthening portfolio quality?

Growth and Revenue Enablement

4X Cross Sell

- 4x increase in cross-selling volume driven by contextual journeys.

3X Disbursement Growth

- ~3x growth in New-to-LTF disbursement via digital channels.

10 Big Tech Partnerships

- Embedded finance disbursements scaled to ~Rs11.4bn in Q2FY26 as partnerships expanded from 3 to 10.

Digital adoption drives structural cost efficiency in serving and collections

88% of servicing fully digital, reducing branch and call centre load.

Collections via PLANET app doubled from R12bn in H1FY25 to Rs25bn in H1FY26.

20,000 + digital mandate resolution, materially reducing manual intervention.

Positioned as the lowest cost- to-serve collection channels.

Technology enables early risk detection and faster resolution across the portfolio

Engage Early

Digital nudges, reminders and in-app notifications proactively influence customer behaviour before slippage.

Enable Payment

Frictionless digital payments and mandate workflows improve on-time repayment and reduce drop-offs.

Detect Risk

Early warning signals from Nostradamus identify roll-forward risk at early delinquency stages.

Resolve Faster

Targeted app-led interventions accelerate resolution and feed insights back into Cyclops underwriting.

Project Cyclops: The AI Brain behind LTFH's Credit Decisions

Project Cyclops is LTFH's AI-powered underwriting backbone, designed to deliver faster, safer, and more scalable credit decisions by embedding machine-learning models directly into origination workflows. It is not a point solution, rather a reusable, enterprise-grade decision engine deployed across products and channels.

Intelligent Risk Evaluation	Real-time Credit Decisioning	Scalable, Enterprise-grade Architecture	Embedded Execution across Channels	Constant earning and feedback
Cyclops enables granular credit risk assessment by combining bureau, banking, transactional, and alternate data.	55+ AI/ML models enable sub-700ms credit decisions and instant, fully automated sanctions.	Cloud-native, API-led architecture processing >2mn calls/month and scalable to 10k+ calls/min.	Cyclops is natively integrated across PLANET, dealer, and branch systems for consistent underwriting across all channels..	Linked with Nostradamus, Cyclops feeds portfolio performance back into continuous model recalibration and risk tuning.

AI-driven Underwriting → **Real-time Decision-making** → **Risk Profiling/Approval**

Summary of Impact of Cyclops so far on Credit Underwriting

Indexed Representation of Delinquency (2QFY26)	Industry (2Q25)	LTFH (2Q25)	Industry (2Q26)	LTFH (2Q26)
2W (%)			100	83
Farm equipment (%)	100	99	100	79
JLG (%)	100	23	100	20
HL (%)	100	10	100	9
LAP (%)	100	29	100	24
Delinquency is calculated as 90+ in 12MOB from Jul'23 to Jul'24 disbursement				

2W Prime Segment Share Increasing	2QFY25	2QFY26
Disbursement (%)	57	88
On book (%)	45	66

Project Nostradamus: Building Predictive Control over Portfolio Risk

Limitations of Lag-based Portfolio Monitoring

Traditional portfolio monitoring is largely driven by lagging indicators such as DPD movement and bucket migration.

As a result, stress often becomes visible only after delinquency has already materialised, limiting the ability to intervene meaningfully.

This leads to higher early-cycle volatility, delayed corrective actions and weaker control over cohort- and geography-specific risk.

"NOSTRADAMUS"

Project Nostradamus operates as an AI-led portfolio intelligence and early-warning platform monitoring live portfolios post-disbursement.

13+ AI / ML algorithms deployed for portfolio monitoring	200+ behavioral, banking, and portfolio variables tracked continuously
Risk signals generated at cohort, district, and vintage levels	Designed to identify probable roll-forwards ahead of DPD movement

Visible impact of Nostradamus implementation is seen in 2-wheeler portfolio.

~221bps improvement in 30+ delinquency at 6-month-on-book	~~388bps improvement in 30+ delinquency at 12-month-on-book

Improvements observed across select cohorts and districts tracked using Nostradamus-led early-warning signals. These outcomes reflect earlier identification of stress pockets and more targeted portfolio actions, enabled by predictive monitoring.

What Changes with Nostradamus?

With Nostradamus, portfolio monitoring shifts from reactive observation to predictive control:

- Early-warning alerts highlight emerging stress pockets before delinquency.

- Risk teams can prioritise action by geography, cohort, and vintage.

- Interventions become targeted and preventive, rather than broad and late-stage.

- Portfolio insights are systematically fed back into underwriting engines.

Tech architecture summary

Continued Digital Transformation

Expansion of omni-channel platforms: Strengthen the PLANET app with advanced features like.

- AI-driven hyper personalisation for rural and urban customer needs.

- KAI conversational engine automating customer interactions.

Strengthening Customer Intelligence

Alternative data integration — lever geo-tagging, satellite data and video KYC for better profiling.

Identify and nurture early-stage customers using lifestyle and psychometric modeling.

Secure and Agile Infrastructure

Zero-trust security architecture: teal -time threat detection and data protection using AI/ML

AI analytics to eliminate customer bottlenecks across branches, call centers and digital channels

Aspirations for FY26

2x retail book size with consistent growth trajectory (20-25% CAGR)

Sustainable RoA of 2-8-3% with stable credit costs

Geo-expansion across India through low-cost digital acquisition

AI and Data-driven Credit Solutions

Project Helios is LTF's centralized data mart and intelligence layer that unifies data across the entire loan lifecycle and makes it usable in real time for underwriting, monitoring and collections.

Project Orion is LTFH's API-first digital sourcing platform that connects external partners (Big Tech platforms, marketplaces, OEMs, fintechs) directly to its loan origination systems.

Business and Financial Overview

01 — AUM and Disbursements trends

02 — Rural + Urban Business finance

03 — Management team credentials

04 — Company Financials and Valuation

Diversifying product mix brings sustainability to loan growth

Retail-ization for LTFH is now complete . The overall loan book grew at a CAGR of ~5% over FY22-25, as the wholesale book de-grew. Addition of gold loans and personal loans with big tech tie-up is a good mix to the overall portfolio. We expect loan growth at 18% over FY26/28e, driven by introduction of new product lines in the retail segment.

Strong growth in AUM and disbursements

Legend: AUM, Disbursements

Retail-ization complete

Legend: Farm Equipment Finance, Rural Group Loans & Micro Finance Loans, Two Wheeler Finance, Personal Loans, Gold loans, Home Loans, LAP, SME Finance

New products drive higher Disbursements
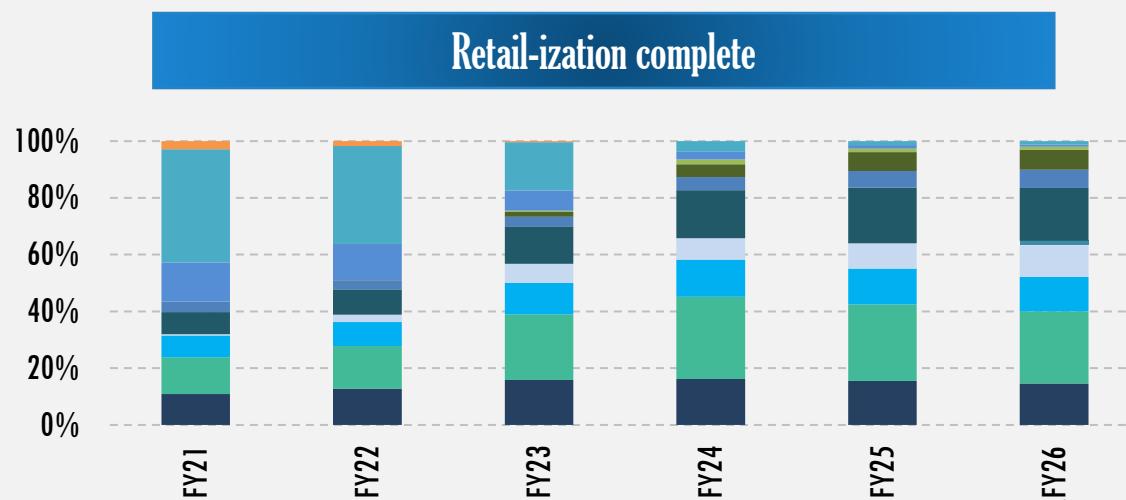
Legend: Farm Equipment Finance, Rural Group Loans, Micro Finance, Two Wheeler Finance, Personal Loans, Home Loans, LAP, SME Finance, Acquired Portfolio, Real Estate Finance, Infrastructure Finance

Rural Business Finance

Strengthened credit guardrails and tech-driven collections ensuring portfolio resilience in a challenging environment

Robust Disbursement Growth

Disbursements show a sustained upward trajectory, with ~47% y/y growth in Q3FY26, reflecting steady demand momentum and continued execution strength in rural lending.
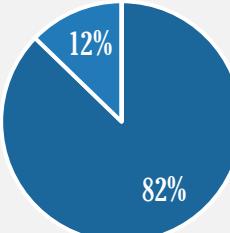
Portfolio Strength and Credit Guardrails

12%
82%

82% of portfolio with 0 or 1 external association; high-leverage customers reduced from Rs262bn (Dec'24) to ~Rs290bn (Dec'25)

Portfolio Distribution

Implemented risk guardrails based on bureau data, ensuring that ~97.5% of portfolio consists of customers with ≤2 external associations, and ~95% aligns with MFIN norms, reflecting prudent sourcing and monitoring practices.

■ Jun'25 ■ Sept'25 ■ Dec'25
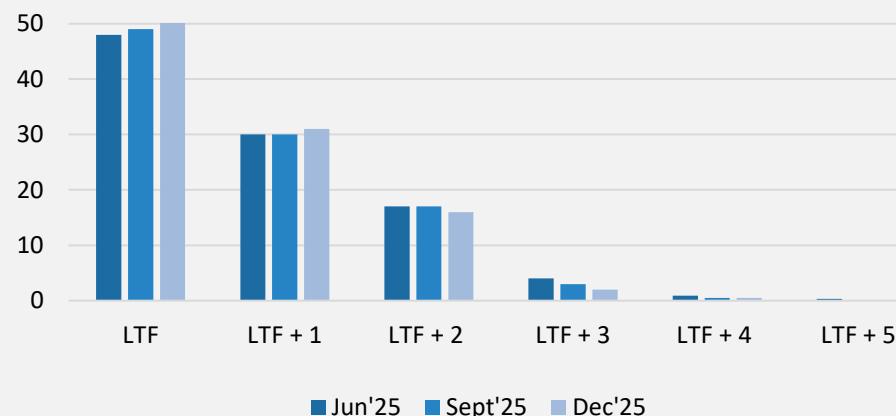
Post Cyclops Scale-up Improvements

- Average ticket size increased from Rs0.53m (Apr'25) to Rs0.55m (Sept'25) post Cyclops roll-out in Rural business finance portfolio.

- Loan-to-Value (LTV) improved from 66.7% (Apr'25) to 70.2% (Sep'25).

Collection Efficiency

30+ DPD collection efficiency at 99.5% (Sep-25), 0-90 DPD at 98.2%. Temporary rise in delinquencies is due to heavy rains, political disruptions and election-related fund-flows.

—— 0 DPD CE %   —— 0-90 DPD CE %
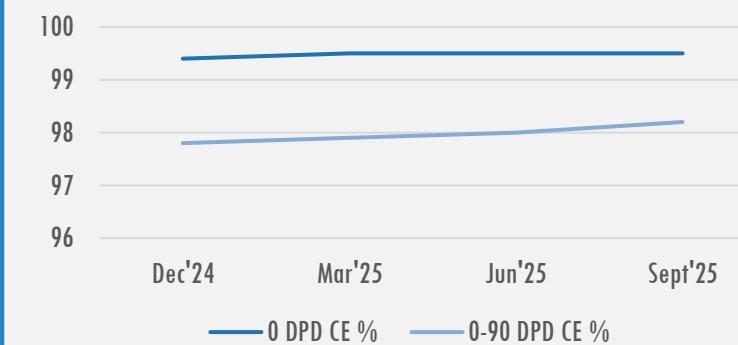
Farmer Finance - Entrenching Itself

Prominent tractor financier in India, supported by strong partnerships with major tractor OEMs such as M&M ,Swaraj, John Deere and TAFE

Overview

Farmer finance is ~Rs150bn AUM, serving across 17 states with 2,100+ branches and 6.1m active customers.

Healthy disbursements with strong digital collections contributing to efficient loan servicing.

8% Digital Collections, ~92% CE (Sep'25), ~70% ODD Collections

88% e-NACH Penetration Automates Collections, Simplifying Repayments for Customers.

Cyclops helped in TA Disbursement Increase by 25% and TA Dealers Increase by 12% as on Sep-25.

Optimising TAT with Cyclops

Apr'25

- 19% (NSTP)
- 81% (STP)

Sept'25

- 36% (NSTP)
- 64% (STP)

■ STP ■ NSTP
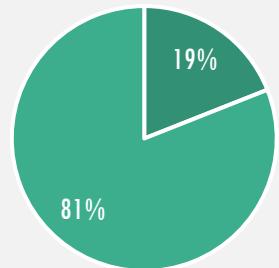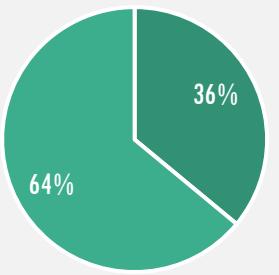
Higher loan approvals reflect stronger data quality and underwriting accuracy.

6% reduction in GNS and 1.7% Reduction in NNS under Cyclops

GNS

- Non - Cyclops: 23%
- Cyclops: 17%

NNS

- Non - Cyclops: 2%
- Cyclops: 0%

■ Non - Cyclops ■ Cyclops
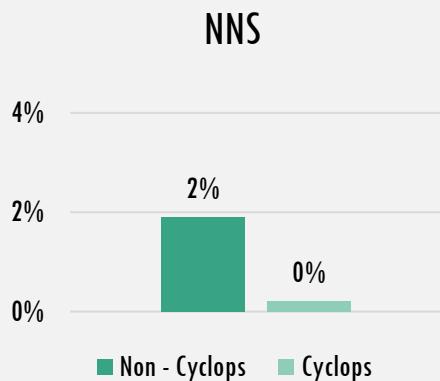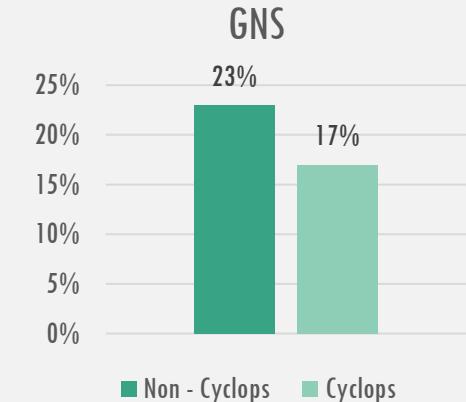
Cyclops has materially improved early portfolio quality in Farmer Finance, reducing first-EMI failures by 6% and persistent early defaults by 1.7% vs. non-Cyclops pools, reflecting stronger borrower selection and structurally lower early credit risk.

Urban Business Finance - Deepening Presence, Big Tech Tie-ups

Strengthened credit guardrails and tech-driven collections ensuring portfolio resilience in a challenging environment

Growth

Disbursements show a 36% CAGR (FY22-25), while AUM registered 31.1% CAGR (FY22-9MFY26) to Rs372bn in FY25 and Rs554bn in 9M FY26, with an ~8.7m customer franchise as of Oct'25. 160+ branches support the Urban Finance portfolio, with 6,000 employees.

AUM clocks 27% CAGR over 5-yr period

(Rs m)

- FY22: 2,04,270
- FY23: 2,78,410
- FY24: 3,60,880
- FY25: 4,58,970
- 5,54,050

- Home loans, 38.5
- Two wheeler Loans, 25.1
- Personal loans, 23.1
- LAP, 13.3
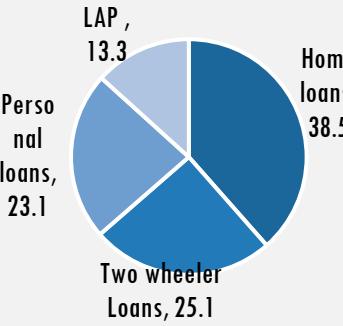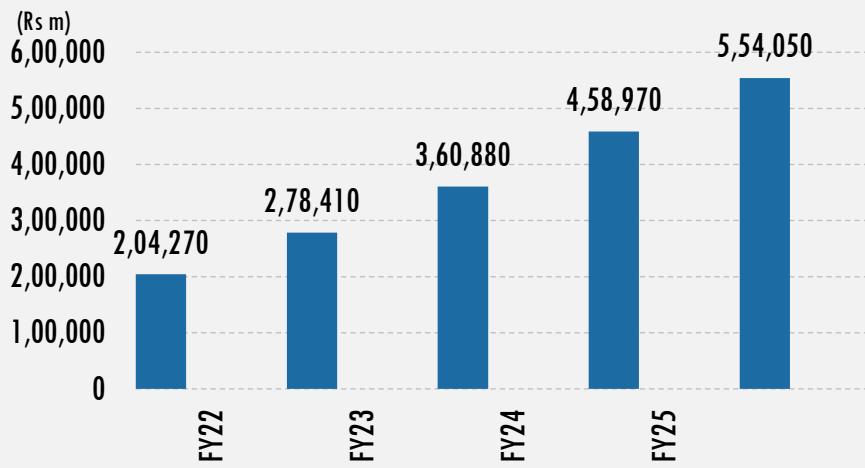
AUM clocks 27% CAGR over 4.5 years

Urban Finance AUM has grown at ~31.1% CAGR over FY22–9MFY26 to Rs554bn, now accounting for ~50% of L&T Finance's total AUM.

Growing Digital Partnerships

Tech Partnerships

- Q1FY25
- Q2FY25
- Q3FY25
- Q4FY25
- Q1FY26
- Q2FY26
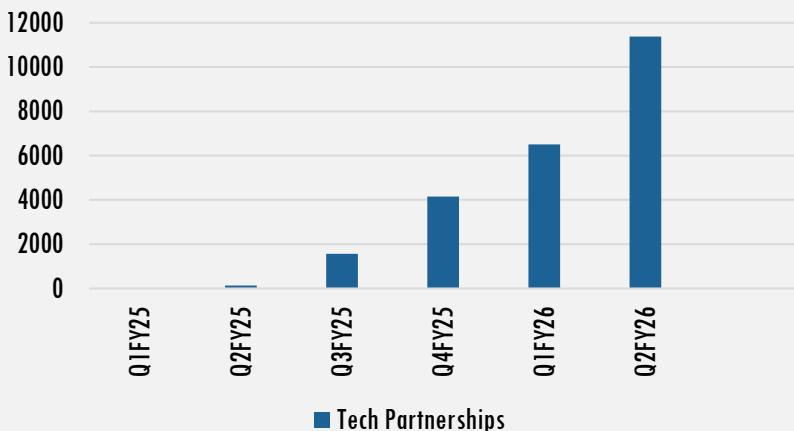
■ Tech Partnerships

Tech partnership disbursements have expanded rapidly over the past year, with an 8.6% CAGR, driven by large digital platforms and API-led, AI-based integration, with the channel increasingly contributing to urban personal loan growth.

Two-wheeler Finance — Gaining Market Share

Transforming 2-wheeler financing with a fully digital onboarding journey, AI-powered credit decisioning and advanced geo-spatial technologies. Leveraging automation and predictive analytics, the company ensures seamless customer experiences, faster disbursements and improved risk management.

Comprehensive Digital Ecosystem

100% digital business with no manual underwriting via the Planet App

AI-backed underwriting evaluating creditworthiness real-time, enabling loan approvals in under two minutes.

Geo-tagging optimises Collection Routes, Enhancing Resource Use

Cyclops 3.0 Version Live in the Two-Wheeler Portfolio, with Nostradamus at Stage-1

Monitoring Collections and Agent Performance via a Central Dashboard

Impact of Cyclops in 2-wheeler Portfolio

Metric	Pre-Tech	Post-Tech
AUM Scale	~Rs10,000—50,000m	Rs139,130m
Disbursement Growth	Gradual	Rs32,170m in Q3FY26 (+33% YoY)
Collection Efficiency (0 DPD)	Strong	~98-99% at scale
Customer-mix	Safer bias	NTC → Prime Continuum
Processing	Semi-manual	Paperless, straight-through

Customer-centric Focus

125+ urban and semi-urban branches for diversified customer needs.

Customizable tenures ranging from 28 to 34 months with competitive yields of 14-20%.

Features like pre-approved loans and EMI payments helping in easy management of customers' loan accounts.

Financial literacy programmes to enhance customer understanding of products.

Personal loans - Big Tech Partnerships drive increase in super prime customer lending

Personal loans provide flexible, unsecured financing for a wide range of personal needs, with fast approvals and customisable repayment terms.
Levering AI-driven credit assessments and digital platforms, L&T Finance ensures a seamless, customer-centric experience

Sourcing and Distribution Channels

Paperless applications and instant credit decisions via the PLANET app.

Loans sourced through online channels, field agents and partnerships with consumer goods retailers.

Big Tech Partnerships

PhonePe

CRED

amazon pay

G Pay

Big tech partnerships drove Q3FY26 PL disbursements to Rs35,740m and expanded loan book to Rs1,28,100m. Further, led to shift in focus towards prime salaried customers, with asset quality remaining strong and bounce rates stands at <2%.

Technology Interventions Enhancing Customer Experience

AI-powered personalisation	ML algorithms assess individual behaviour and preferences to tailor products.
Mobile app enhancement	Real-time loan tracking, easy EMI payments and personalised financial management tools.
Customer service automation	AI -based chatbots and virtual assistant for 24x7 support, quick query resolution.

Cyclops + Digital Partnerships impact in the PL Portfolio

Metric	Pre-Tech	Post-Tech
AUM scale	Smaller, moderate growth	Rs128,100m (Q3FY26)
Disbursement growth	Mid-teens	+118% YoY (Q3FY26)
Portfolio growth (AUM YoY)	Gradual	+64% YoY
Sourcing mix	Physical + DLO-heavy	Meaningful contribution from Tech / Large Partnerships
Collection Efficiency (0 DPD)	Strong	~98-99% (maintained at scale)
Processing	Semi-manual	API-led, straight-through, paperless

Home Loans + LAP - Steady disbursement growth, addition of micro lap on the anvil

Tailored financing with a fully digital process, ensuring seamless eligibility checks and quick sanctions. Designed for both salaried and self-employed individuals, these products meet diverse financial needs with speed and precision.

Overview

Steady disbursement growth (HL 8% y/y, 7.3% q/q, LAP 38% y/y, 4% q/q) with a strategic focus on digital and branch-led sourcing.

~60-70% reduction in TAT, supported by streamlined digital processes.
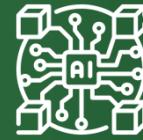
AI-powered Underwriting Ensures Faster Approvals

A Fully Digitalised Loan Journey, like e-sign, KYC Automation and Document Uploads

KAI AI chatbot for Loan Queries, EMI Calculator and Personalized Offers

Assessing the Impact of Cyclops Implementation in Home Loans and LAP

Metric	Pre-Tech (pre-Cyclops)	Post-Tech (Cyclops-enabled)
AUM scale	Smaller, gradual build	Rs286,820m (Q3FY26)
Disbursements (quarterly)	Steady, branch-led	As of Q3FY26, Home Loans: Rs19,330m LAP: Rs9,470m (Q3FY26)
Collection Efficiency (0 DPD)	Strong	~99% (mortgage-led secured book)
Processing & sourcing	Branch / DSA heavy	API-led sourcing, STP journeys
Risk calibration	Rule-based	Cyclops-driven, multi-variable underwriting

SME Finance - High Growth Phase

Demonstrates robust growth with quarterly disbursements of Rs15.5bn, driven by a technology-first approach. Advanced AI, real-time APIs and predictive analytics ensure efficiency, risk mitigation and customer-centricity.

Business Highlights

In Q3FY26, SME loan book grew to Rs79.46bn, (up 37% y/y)

AI underwriting co-pilot has reduced credit assessment time in SME loans by ~50%

Technology-driven Operations

AI-Powered Decisioning	AI models evaluate creditworthiness, enabling quick decisions and reducing delinquencies.
API-enabled Credit Process	Ensuring that credit processes are compliant with risk guardrails.
Phygital Model	A combination of branch-led and digital tools enable seamless customer profiling and risk management.

Risk Management

Stringent Underwriting Protocols with Real-time Data Integration

Focus on Stable Portfolios with Risk-adjusted Pricing Models

Strategic Growth Phases

Phase-I(Pilot)

- Locations: 2, Manpower: 15
- Established foundational and credit-tech framework
- Book size: Rs640m

Phase-II (Jul'22 - Apr'23)

- Locations:17, Manpower: 161
- Expanded geographical and product offerings
- Book size: Rs14.67bn

Phase-III (Dec'23 - Sep'24)

- Locations: 110+, Manpower: 394
- Integration with advanced digital platforms
- Book size: Rs51.9bn

Customer-centric Approach

- Tailored products catering to varied SME segments.
- Seamless onboarding with reduced TAT.

Key Management

Name	Position	Background
Sudipta Roy	MD & CEO	Mr. Roy is a seasoned consumer banking and payments professional with >24 years of experience in financial services. Previously, he held leadership roles at ICICI Bank, Citibank and Deutsche Bank, managing diverse domains like unsecured lending, cards and payments. With expertise across India, China and Canada, he has built greenfield lending and payments businesses globally. Recognised among India's top fintech and digital finance influencers, he frequently speaks on retail lending, payments, and risk management. An IIT Kharagpur chemical engineer and XLRI MBA, he has contributed to the RBI and government committees on banking security and payment systems.
R. Shankar Raman	Non-Executive Director	Mr. Raman is a Chartered and Cost Accountant with 40 years of experience. He has been with L&T Group since 1994 as CFO and board member of L&T since 2011. He oversees finance functions including risk management, M&A and legal. He is involved in advisory roles with IBBI, SEBI and CII on corporate finance and insolvency matters.
Sachinn Joshi	CFO	Mr. Joshi is a Chartered and Cost Accountant with over 34 years of experience. He oversees finance, treasury, risk and strategy. He held leadership roles at Aditya Birla Finance, Angel Group and IL&FS, with expertise in business setup, crisis management and public listings.
Raju Dodti	COO	Mr, Dodti has over 20 years of experience in business transformation, legal expertise and leadership across BFSI companies. A law graduate from the Government Law College, he is on many boards and is passionate about music, travel and fitness.
Santosh B. Parab	General counsel	Mr. Parab has over 28 years of expertise in legal and compliance, including M&A, treasury, equity raising and litigation. A law postgraduate from Mumbai University, he has held key roles at IDBI, IDFC and Altico Capital, contributing to major organisational milestones.

Source: Company, Anand Rathi Research

Company Financials

- Disbursement growth picking up as even the rural finance picks up. We expect AUM to clock ~17% CAGR over the next 3 years, driven by healthy growth in both urban finance and rural finance.

- NIM continues to improve driven by favourable CoF and higher NIM. We build in a NIM of 9% over FY28e.

Efforts to Monitor and Control MFI Book

Legend: AUM Growth, Disbursement growth

Measured Cost - Improving Productivity

Legend: Cost to Income, Cost to assets(AUM on Dupont) calculated

Rangebound NIM and CoF Growth

Legend: Nim, Cof

Source: Bloomberg, Anand Rathi Research
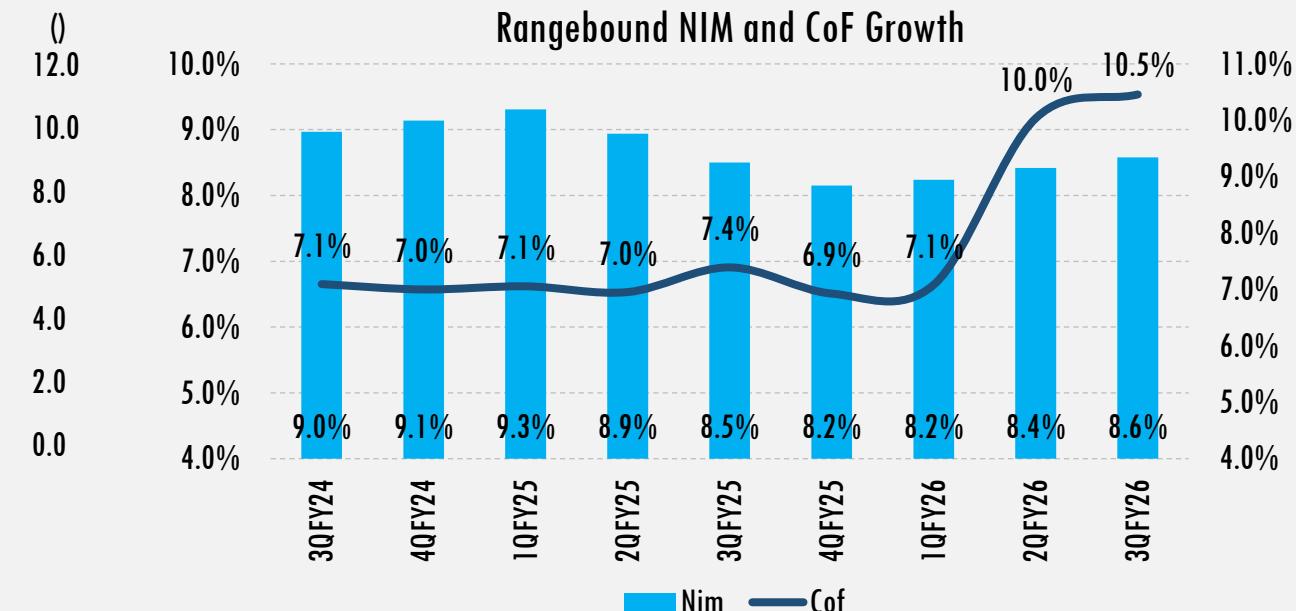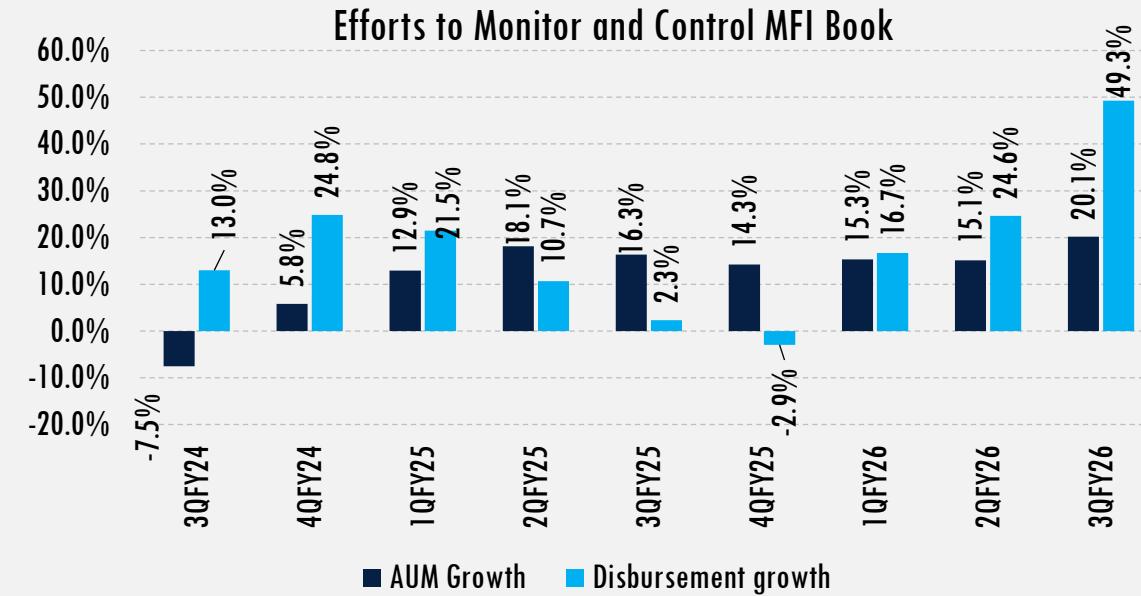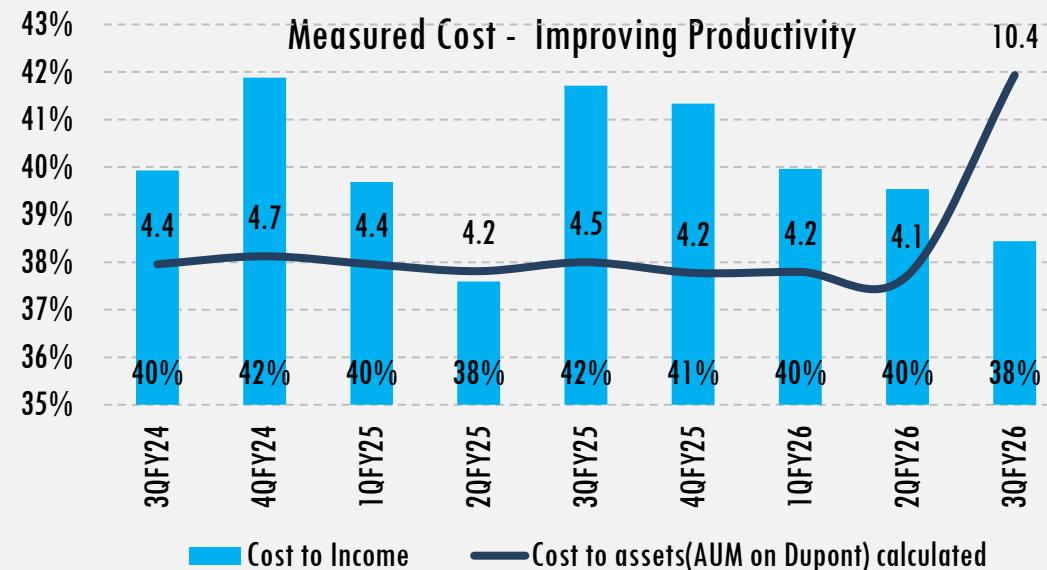
Company Financials

- Headline asset quality has been improving consistently.

- Credit cost has peaked at 3.8% before macro prudential provisions and improved by 10bps q/q to 2.83%. Adjusting for one-time provisioning of Rs220mr, this number improved by 28bps q/q. We build in 2.4/2.3% credit cost for FY27/28e.

- Capital remains adequately favourable for 20% AUM CAGR expected over FY26-28e.
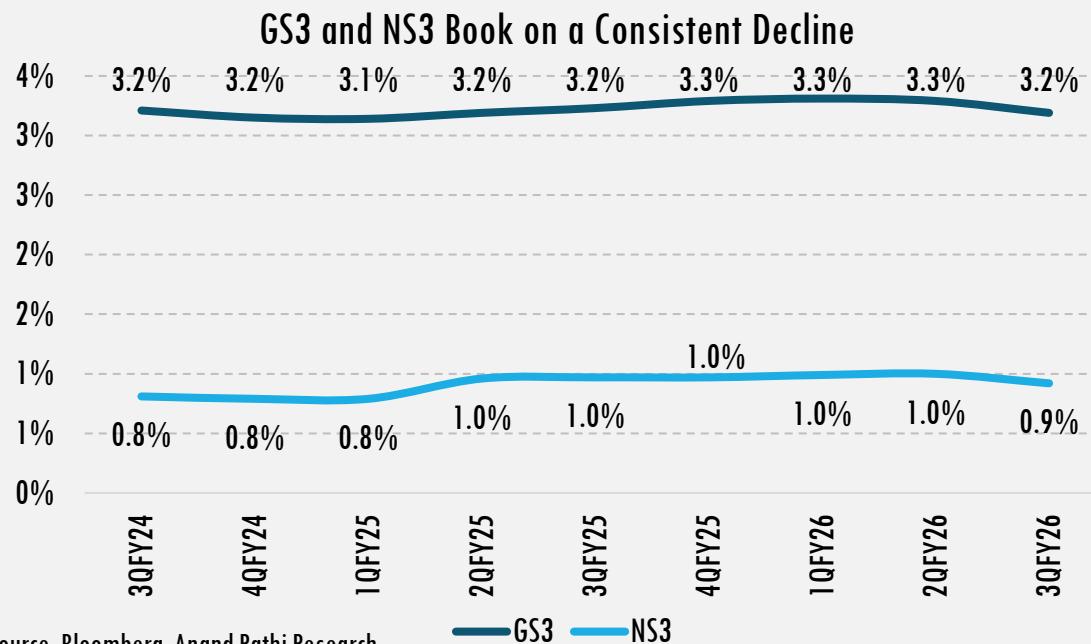
LTFH	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	y/y (%)	q/q (%)
Credit cost before macro prudential provisions (%)	2.91	3.80	3.43	2.98	2.83	-8bps	-15bps
Credit cost as per investor presentation(Rs bn)	6.98	9.03	8.56	7.85	7.92	13	1
Credit cost as per SEBI release(Rs bn)	6.54	6.18	6.32	6.45	7.51	15	17
Impairment loss	7.29	5.24	5.42	5.06	5.90	-19	17
Net loss on fair value changes	-	0.95	0.90	1.39	1.50	n.a	8
Net loss on derecognition of financial instruments under amortised cost category	-0.75	-	-	-	0.12	-115	n.a

GS3 and NS3 Book on a Consistent Decline

Strong Capital Adequacy, Excluding Buffer
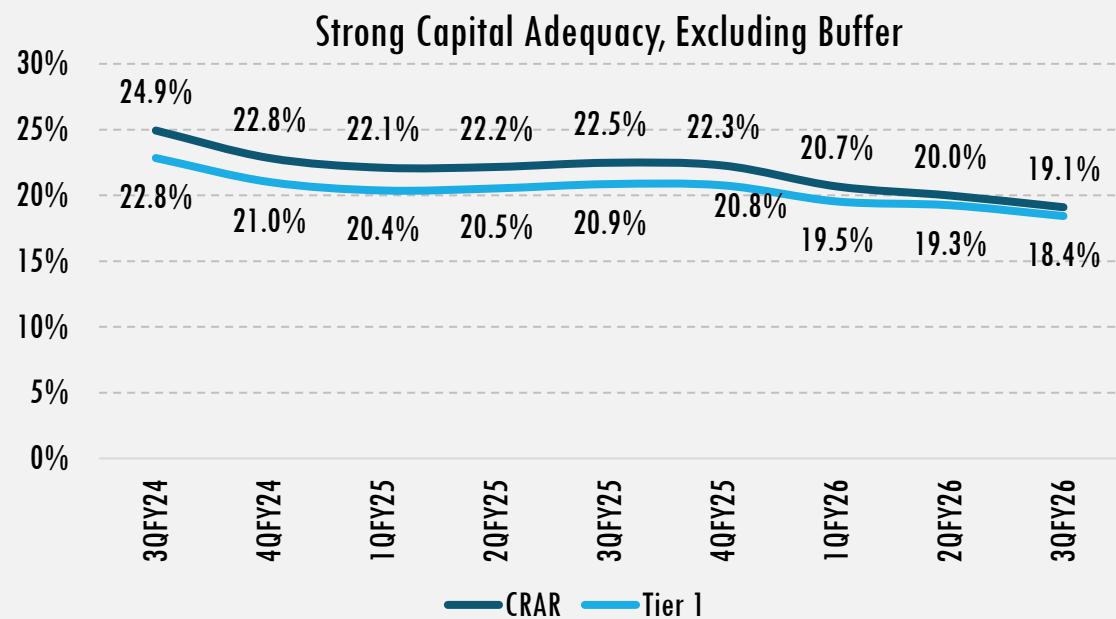
Financials

Income statement (Rs m)	FY24	FY25	FY26e	FY27e	FY28e
Net Interest Income	75,367	86,665	98,633	1,15,302	1,34,671
growth (%)	11.4	15.0	13.8	16.9	16.8
Non Interest Income	11,371	12,777	14,438	16,459	18,928
Total income	**86,739**	**99,442**	**1,13,071**	**1,31,762**	**1,53,599**
Total Inc growth (%)	15.6	14.6	13.7	16.5	16.6
Operating expenses	35,079	39,846	45,026	51,779	59,546
of which employee benefit expenses	18,064	22,165	24,825	28,052	31,699
PPOP	**51,660**	**59,597**	**68,045**	**79,982**	**94,053**
PPOP growth (%)	40.0	15.4	14.2	17.5	17.6
Provisions	21,370	24,684	27,592	28,346	31,316
PBT	**60,581**	**34,913**	**40,453**	**51,636**	**62,737**
Tax	7,119	8,478	10,235	13,064	15,872
PAT*	**53,462**	**26,434**	**30,218**	**38,572**	**46,864**
PAT growth (%)	NM	(50.6)	14.3	27.6	21.5

Balance sheet (Rs m)	FY24	FY25	FY26e	FY27e	FY28e
Share Capital	24,889	24,949	24,949	24,949	24,949
Other Equity	2,09,495	2,30,692	2,60,885	2,99,427	3,46,257
Net Worth	**2,34,384**	**2,55,641**	**2,85,834**	**3,24,376**	**3,71,205**
Borrowings	7,65,409	9,23,724	10,71,520	12,53,679	14,54,267
Growth (%)	(8)	21	16	17	16
Other liabilities	27,382	26,209	28,740	32,690	37,209
Total Liabilities	**10,27,176**	**12,05,574**	**13,86,094**	**16,10,744**	**18,62,682**
Cash & Cash Equivalents	46,760	1,08,329	1,19,391	1,30,850	1,35,822
Investments	1,23,849	1,18,760	1,24,698	1,30,933	1,37,479
Advances	8,13,594	9,37,731	11,06,146	13,06,281	15,40,624
Growth (%)	8.3	15.3	18.0	18.1	17.9
Other assets	42,973	40,754	35,859	42,681	48,757
Total Assets	**10,27,176**	**12,05,574**	**13,86,094**	**16,10,744**	**18,62,682**
AUM	**8,55,650**	**9,77,620**	**11,52,235**	**13,75,033**	**16,21,709**

Source: Company, Anand Rathi Research

Key Ratios

Key Ratios (%)	FY24	FY25	FY26e	FY27e	FY28e
NIM (%)	9.1	9.5	9.3	9.1	9.0
Cost to Income (%)	40.4	40.1	39.8	39.3	38.8
Credit Cost (%)	2.7	2.8	2.7	2.4	2.2
ROA (%)	2.2	2.4	2.3	2.6	2.7
ROE (%)	10.3	10.8	11.2	12.6	13.5
GNPA (%)	3.2	3.5	3.7	3.2	3.0
NNPA (%)	0.8	1.0	1.3	1.4	1.4
CRAR (%)	22.8	22.3	20.5	20.2	19.8
Tier 1 (%)	21.0	20.8	18.6	18.3	18.1
EPS (Rs)	9.3	10.6	12.1	15.5	18.8
BVPS (Rs)	94.2	102.5	114.6	130.0	148.8
ABVPS (Rs)	92.3	100.2	112.0	127.2	145.6
Dividend Yield (%)	0.7	0.6	0.6	0.6	0.6
P/E (x)	31.4	27.6	24.1	18.9	15.5
P/B (x)	3.1	2.8	2.5	2.2	1.9
P/ABV (x)	3.2	2.9	2.6	2.3	1.9

Du Pont Analysis (%)	FY24	FY25	FY26e	FY27e	FY28e
Interest Income	12.4	13.1	12.9	12.8	12.9
Interest Expense	5.1	5.4	5.3	5.1	5.2
Net interest income	**7.2**	**7.8**	**7.6**	**7.7**	**7.8**
Other Income	1.1	1.1	1.1	1.1	1.1
Total income	**8.3**	**8.9**	**8.7**	**8.8**	**8.8**
Operating expenses	3.4	3.6	3.5	3.5	3.4
PPOP	**4.9**	**5.3**	**5.3**	**5.3**	**5.4**
Provisions	2.0	2.2	2.1	1.9	1.8
Tax	0.7	0.8	0.8	0.9	0.9
ROA	**2.2**	**2.4**	**2.3**	**2.6**	**2.7**
ROE	**10.3**	**10.8**	**11.2**	**12.6**	**13.5**

Source: Company, Anand Rathi Research

Valuation and Risks

Key Assumptions

- We raise our FY27e/FY28e growth by 1.5%/ 6% respectively on higher AUM growth(20% CAGR over FY26-28) and lower credit cost assumptions of 2.4% and 2.2% respectively for FY27 and FY28e, as the implementation of Project Crizac and Project Nostradamus gains momentum across all product lines

Valuations

- We value the company at 2.5x Mar'28e BV(earlier 2.2x Sep'27e BV), based on multi-stage DDM model , driven by improving growth , better NIM and lower expected credit cost. The stock has corrected recently and offers an attractive entry into a structural story.

Key Risks

- Higher-than-expected delinquencies in MFI business.
- Any slowdown in economic activity could curtail credit growth.

PB Chart- 1-Year Forward

PB Standard Deviation- 1-Year Forward

Source: Bloomberg, Anand Rathi Research
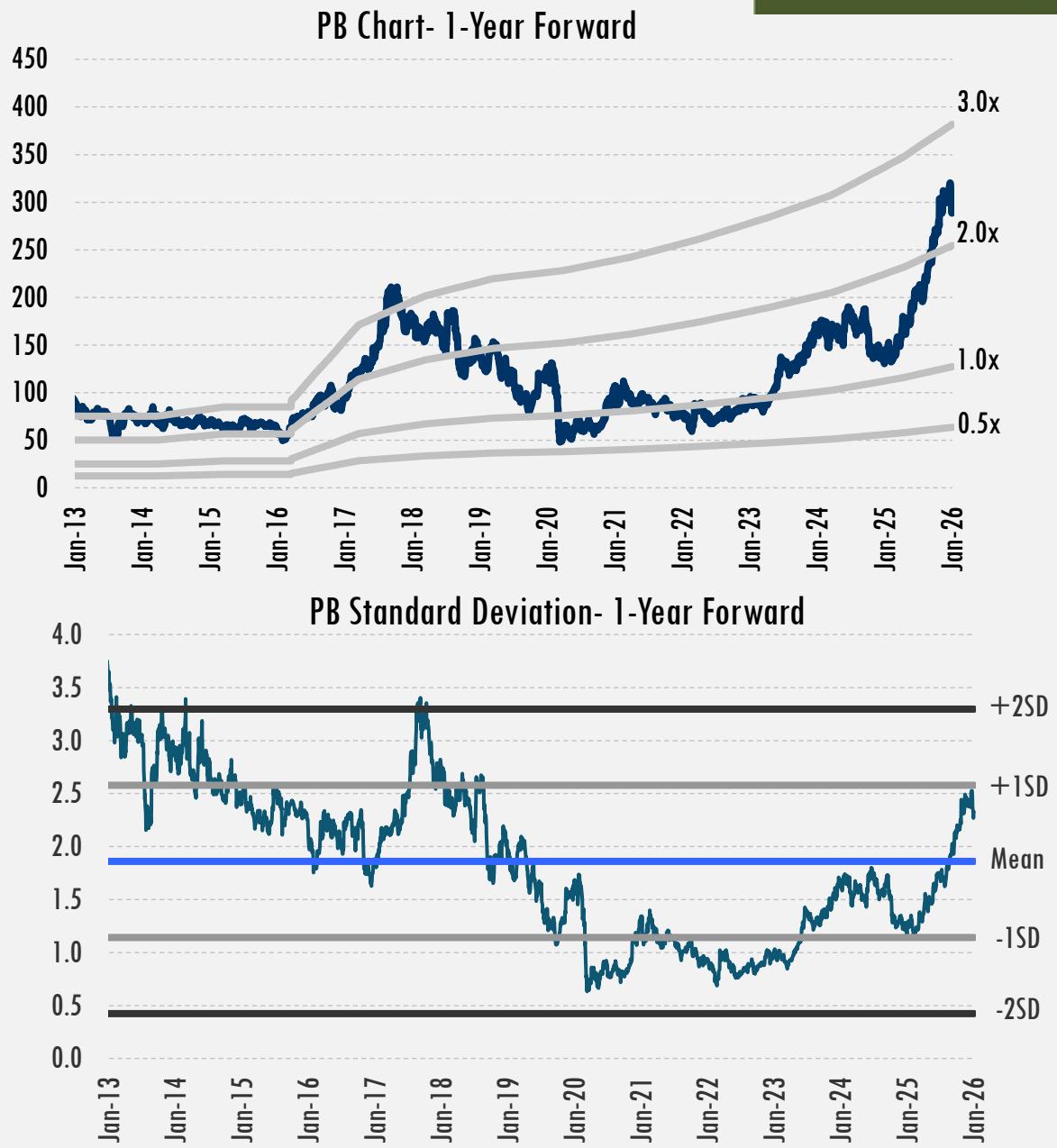
Appendix

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Important Disclosures on subject companies: Rating and Target Price History (as of 21 January 2026)

L&T Finance
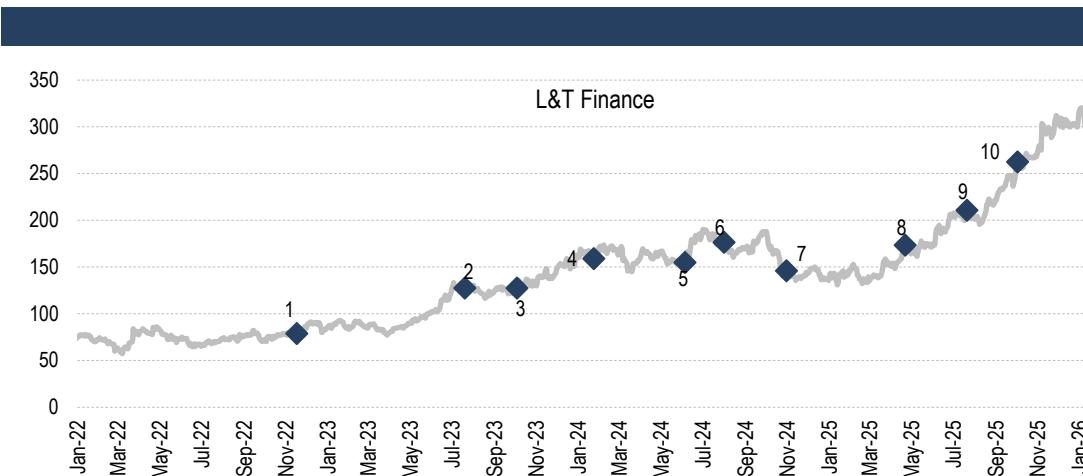
	Date	Rating	TP (Rs)	Share Price (Rs)
1	05-Dec-22	Buy	106	91
2	20-Jul-23	Buy	160	131
3	23-Oct-23	Buy	165	133
4	24-Jan-24	Buy	190	162
5	29-Apr-24	Buy	205	169
6	17-Jul-25	Buy	225	184
7	31-Dec-24	Buy	204	136
8	27-Apr-25	Buy	220	172
9	21-Jul-25	Buy	251	206
10	03-Oct-25	Buy	303	259

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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
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